

The Economic Outlook

Presented by

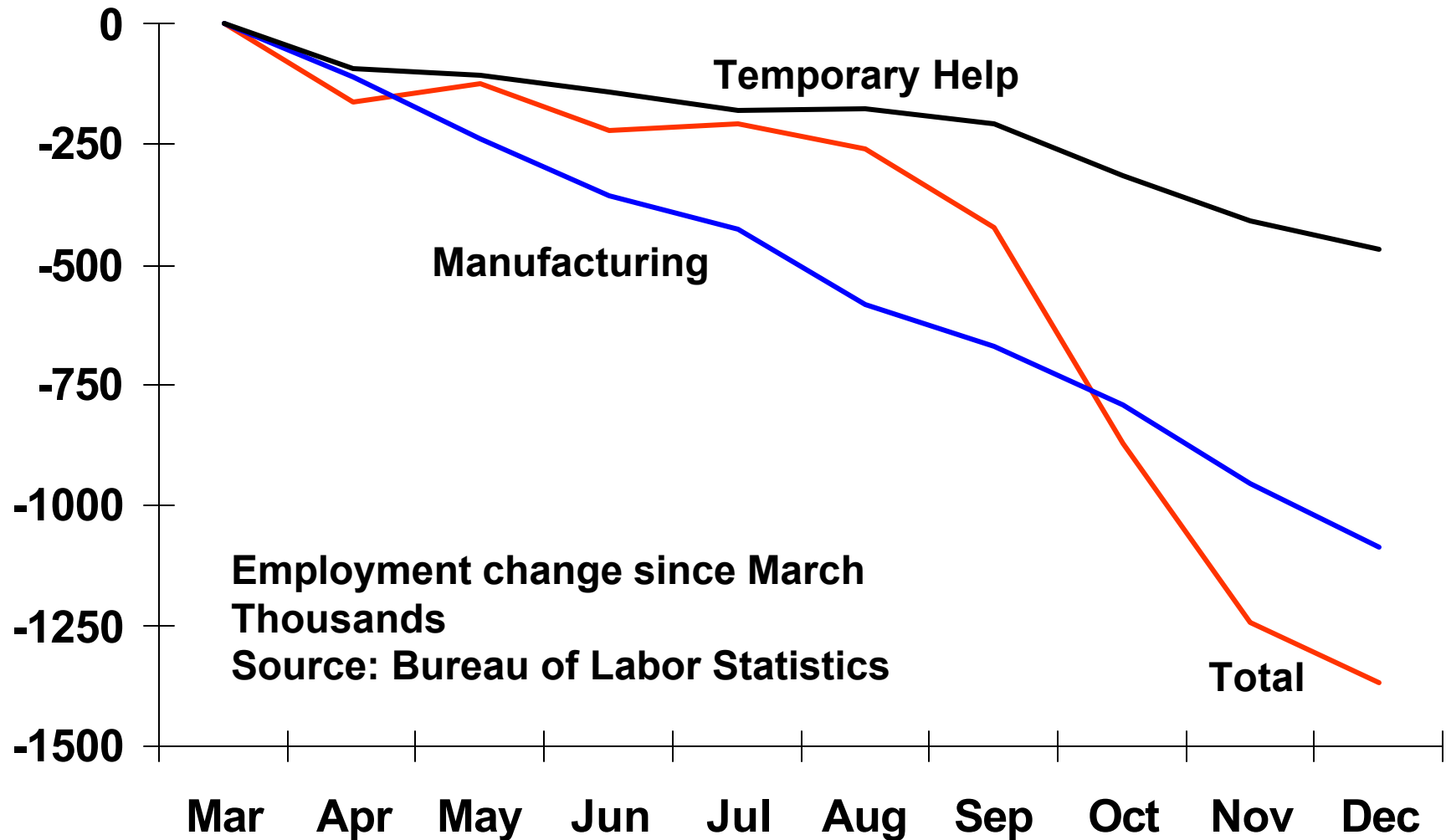
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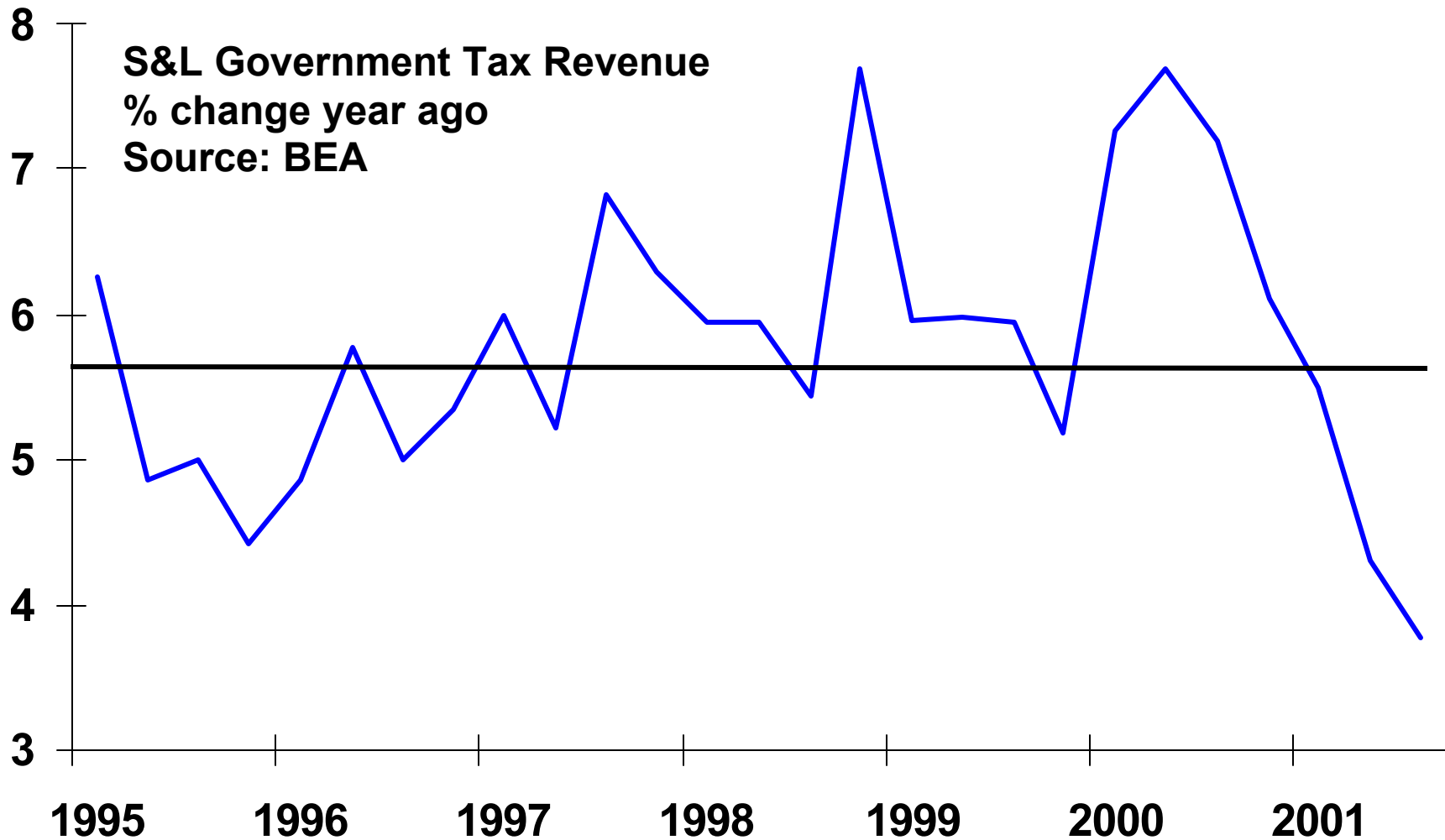
Outlook Summary

- **U.S. economy remains engulfed in recession, which began last April.**
- **The recession will end early this year and be mild compared to other post WWII recessions.**
- **Monetary and fiscal stimulus is substantial and will, along with lower energy prices and an end to inventory liquidation, lift the economy out of recession and support a modest economic rebound.**
- **Weighing on the recovery will be the lack of consumer pent-up demand and excess IT capacity.**
- **State tax revenues will be flat at best in FY 2002, but rebound in 2003.**

A National Hiring Freeze

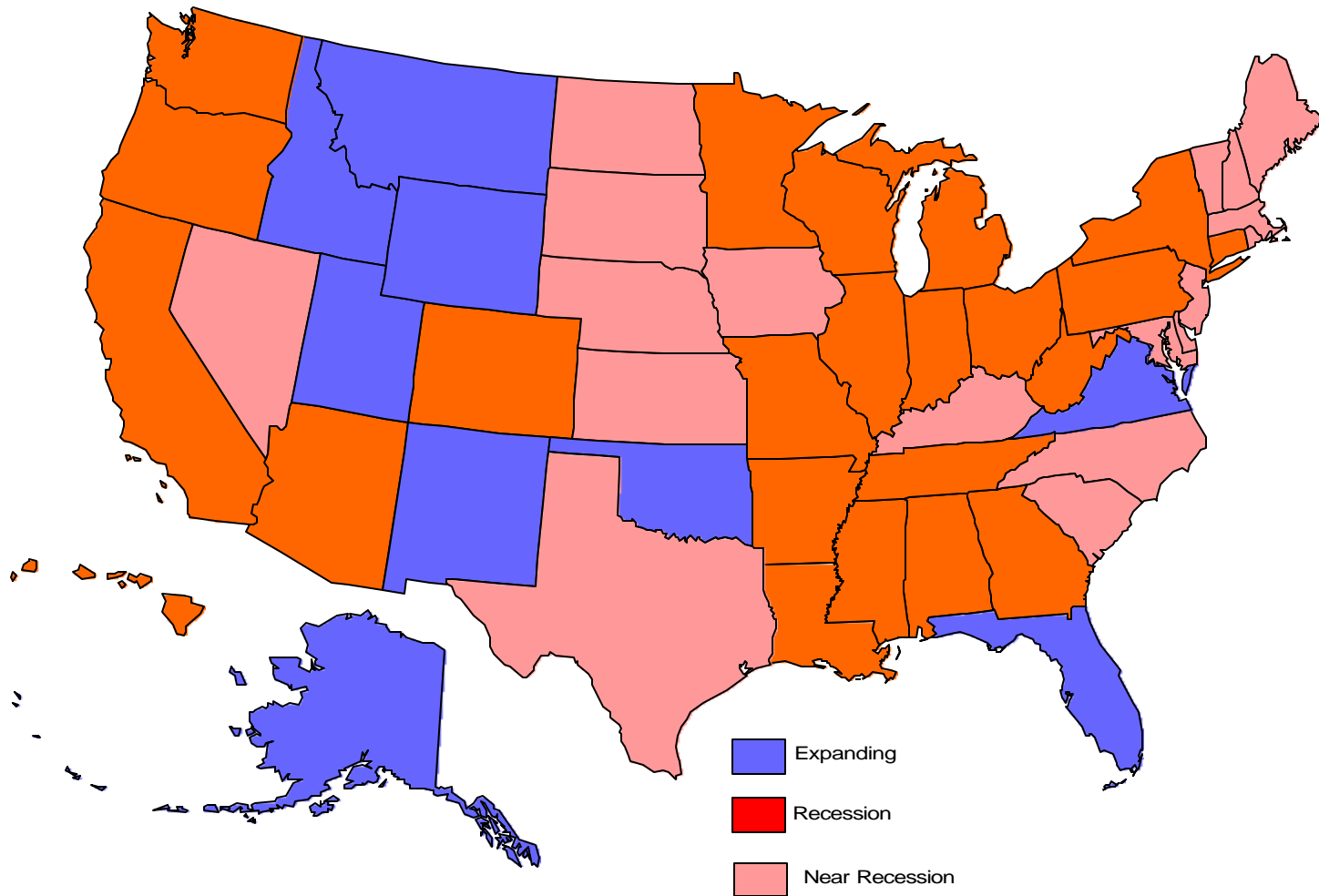


Revenue Growth Stalls

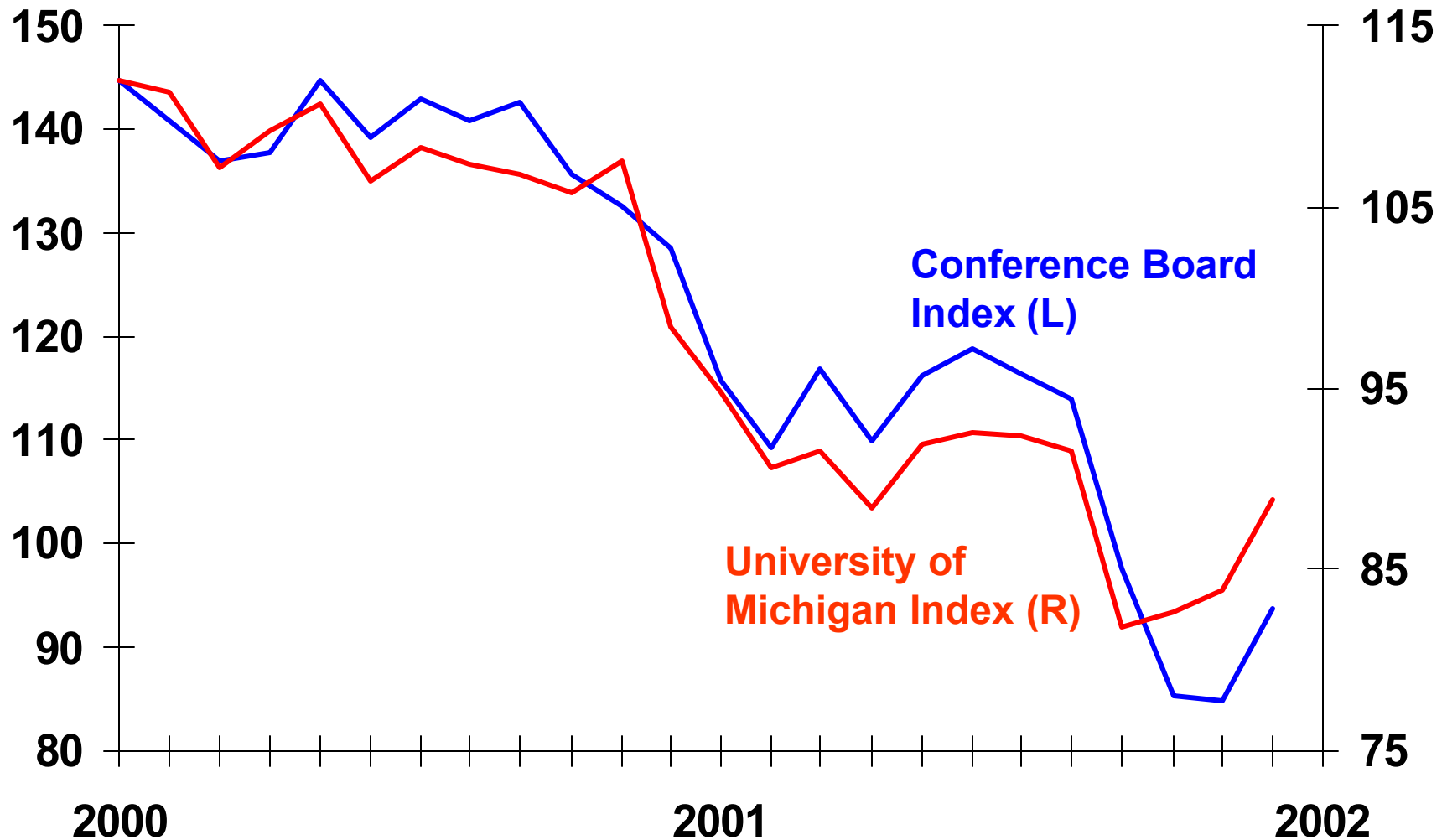


States in Recession

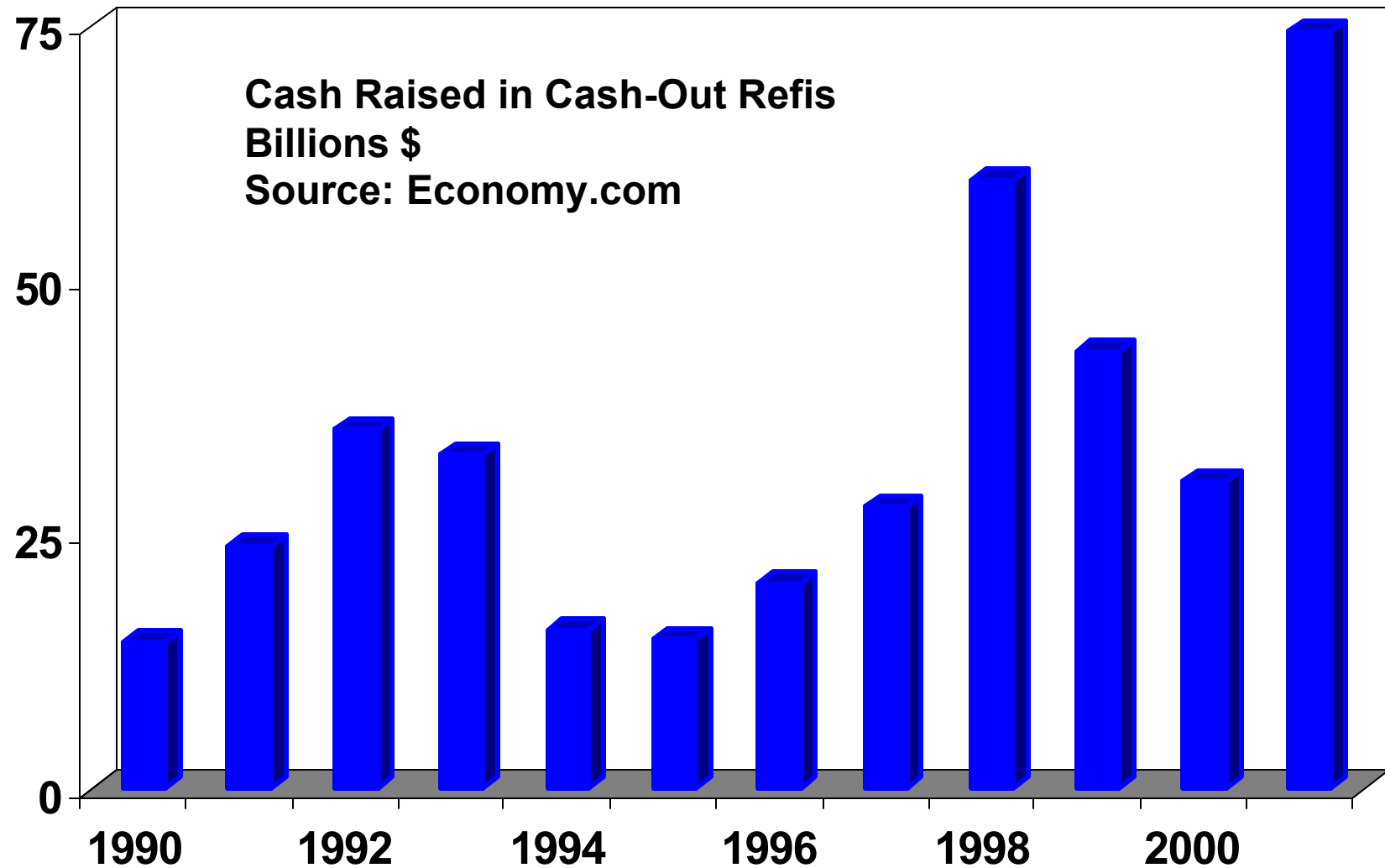
January 2002



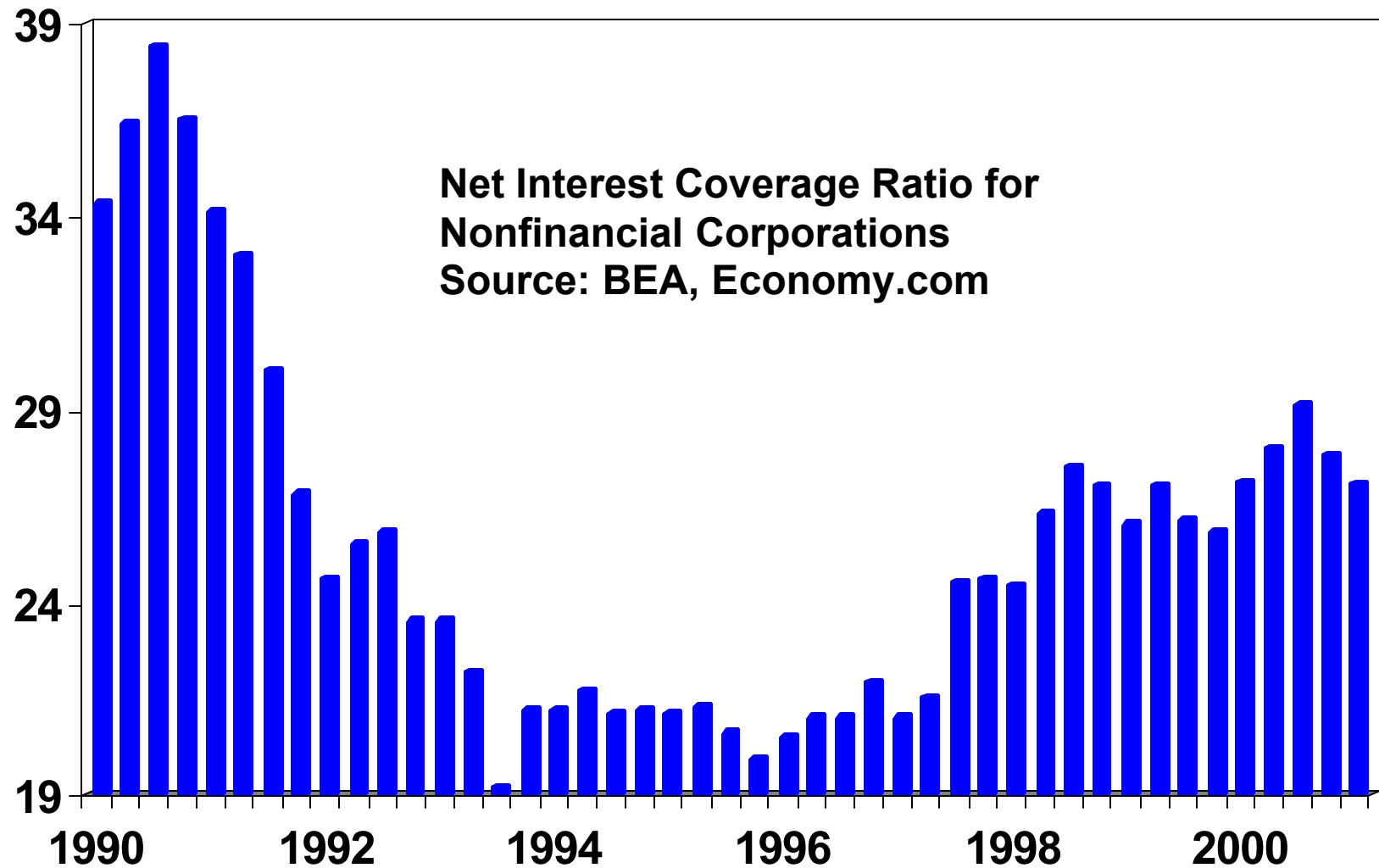
Confidence Stabilizes



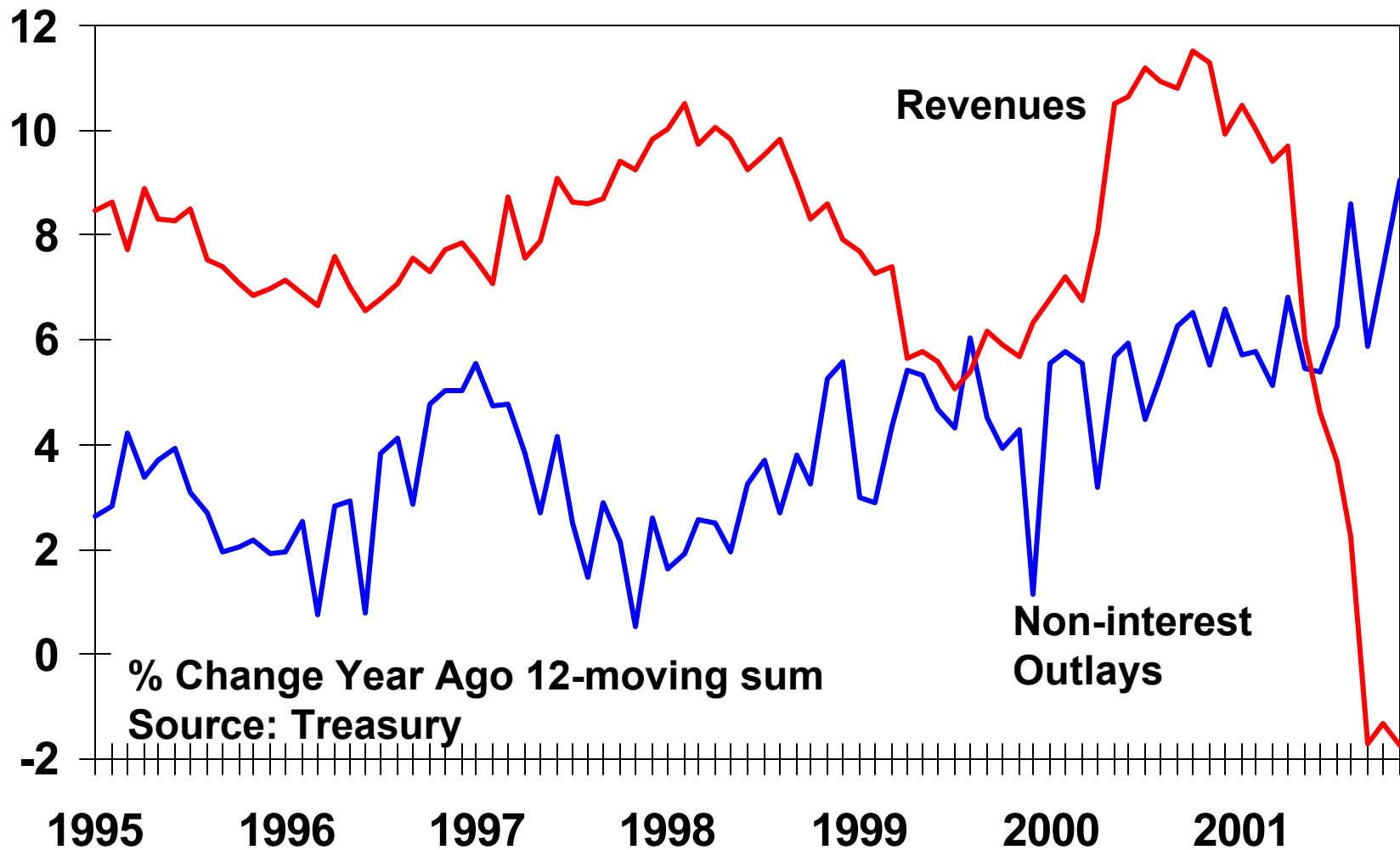
Lower Rates Boost Households...



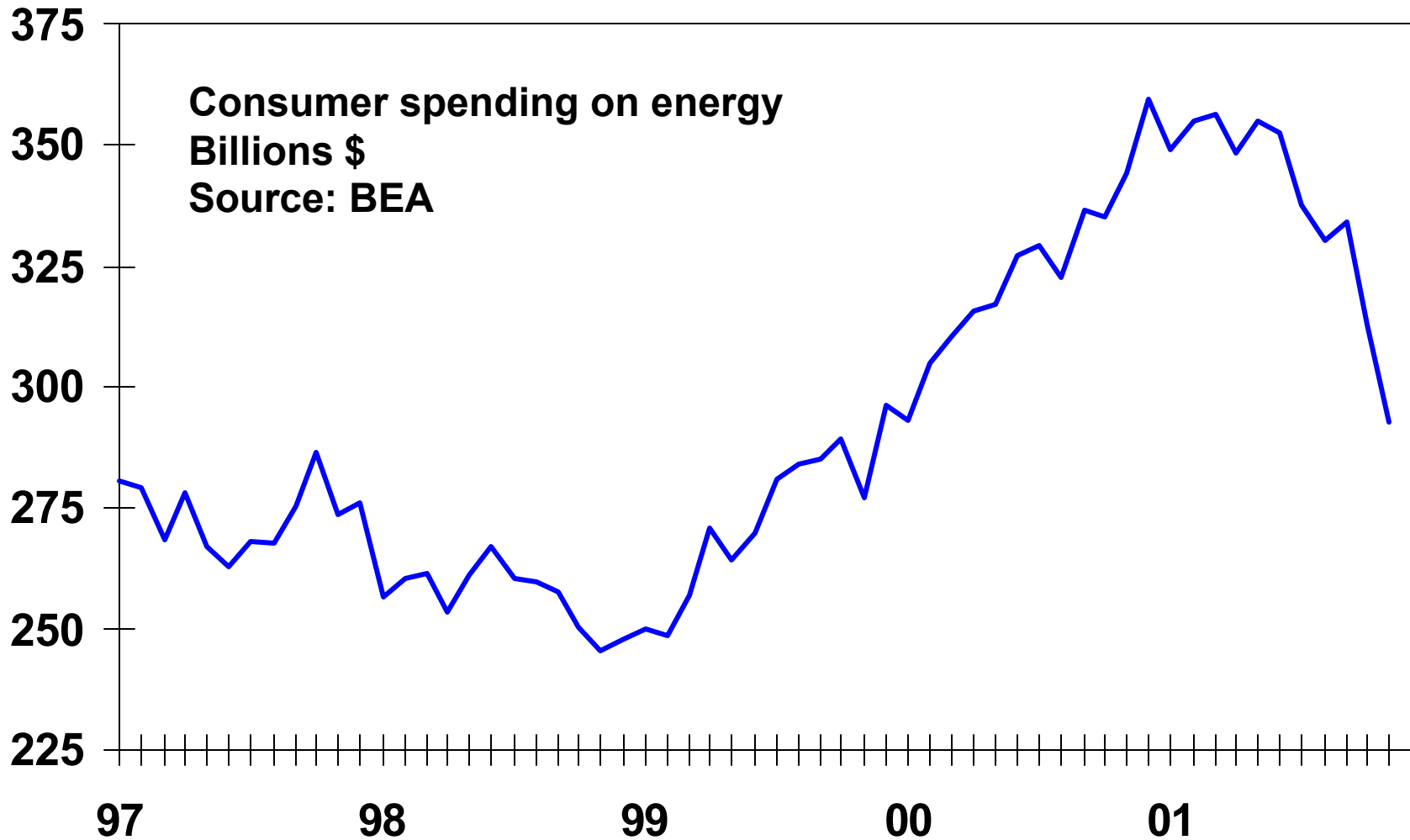
...and Businesses



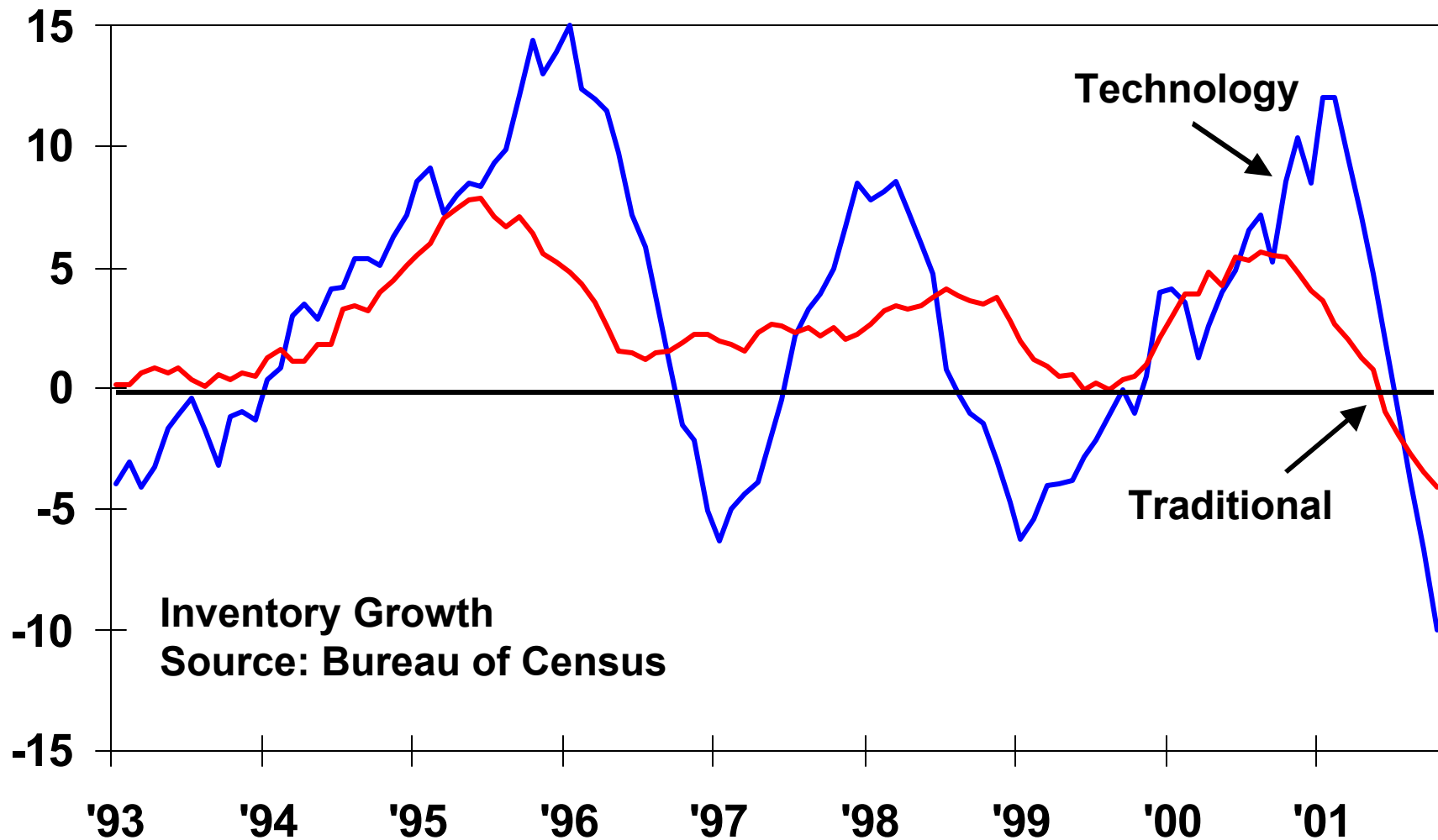
Significant Fiscal Stimulus



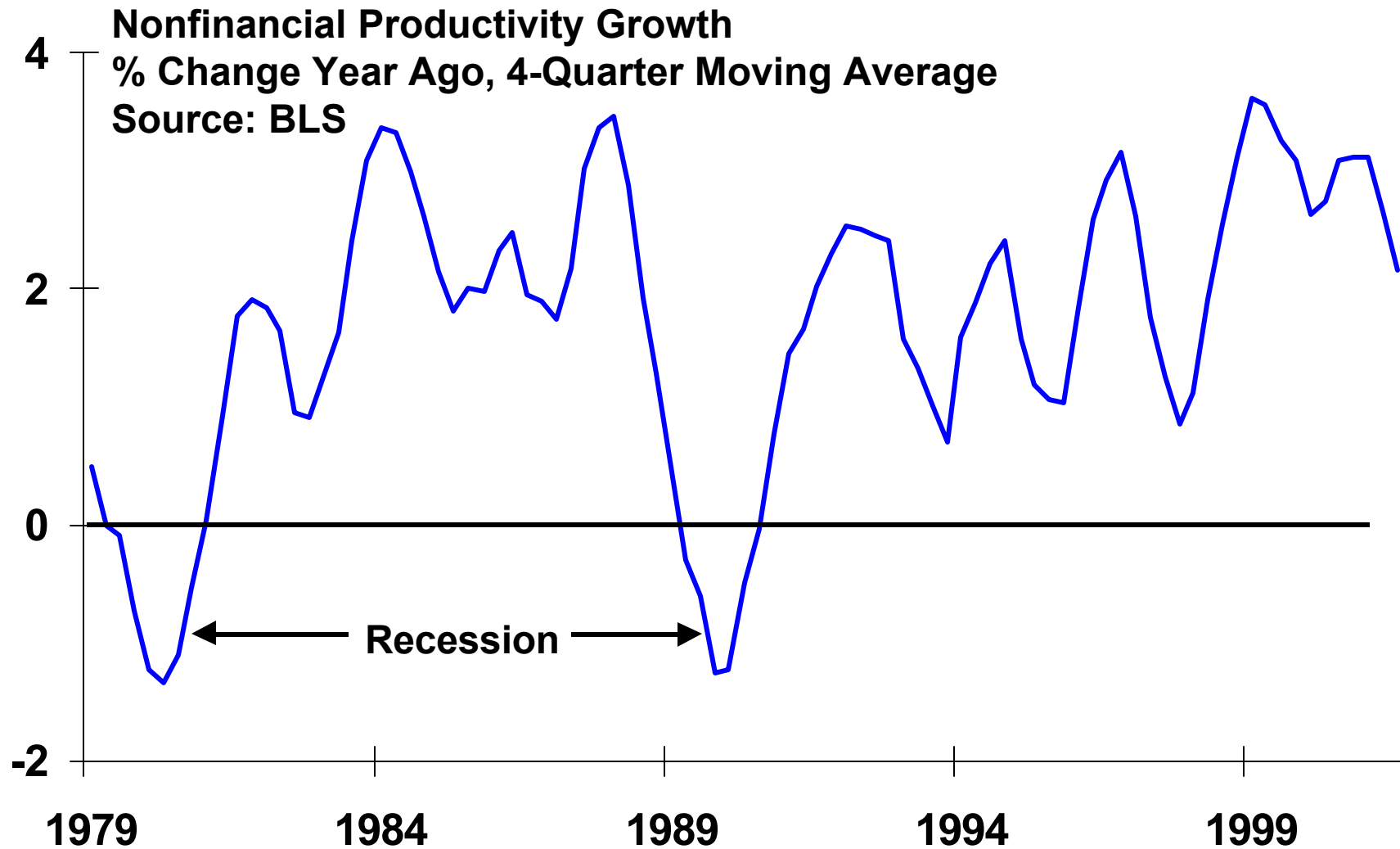
Energy Bill Lightens



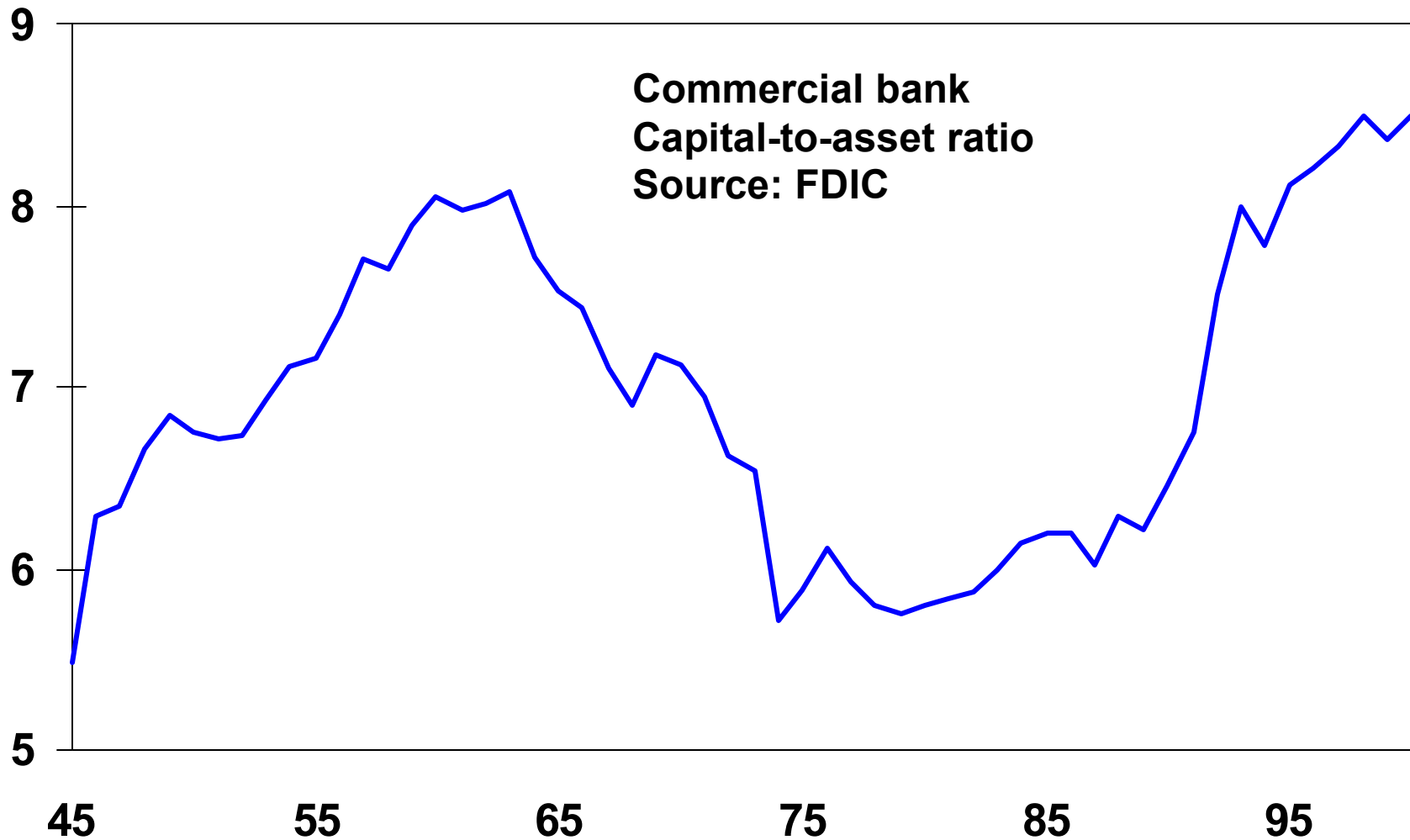
Inventory Overhang Abates



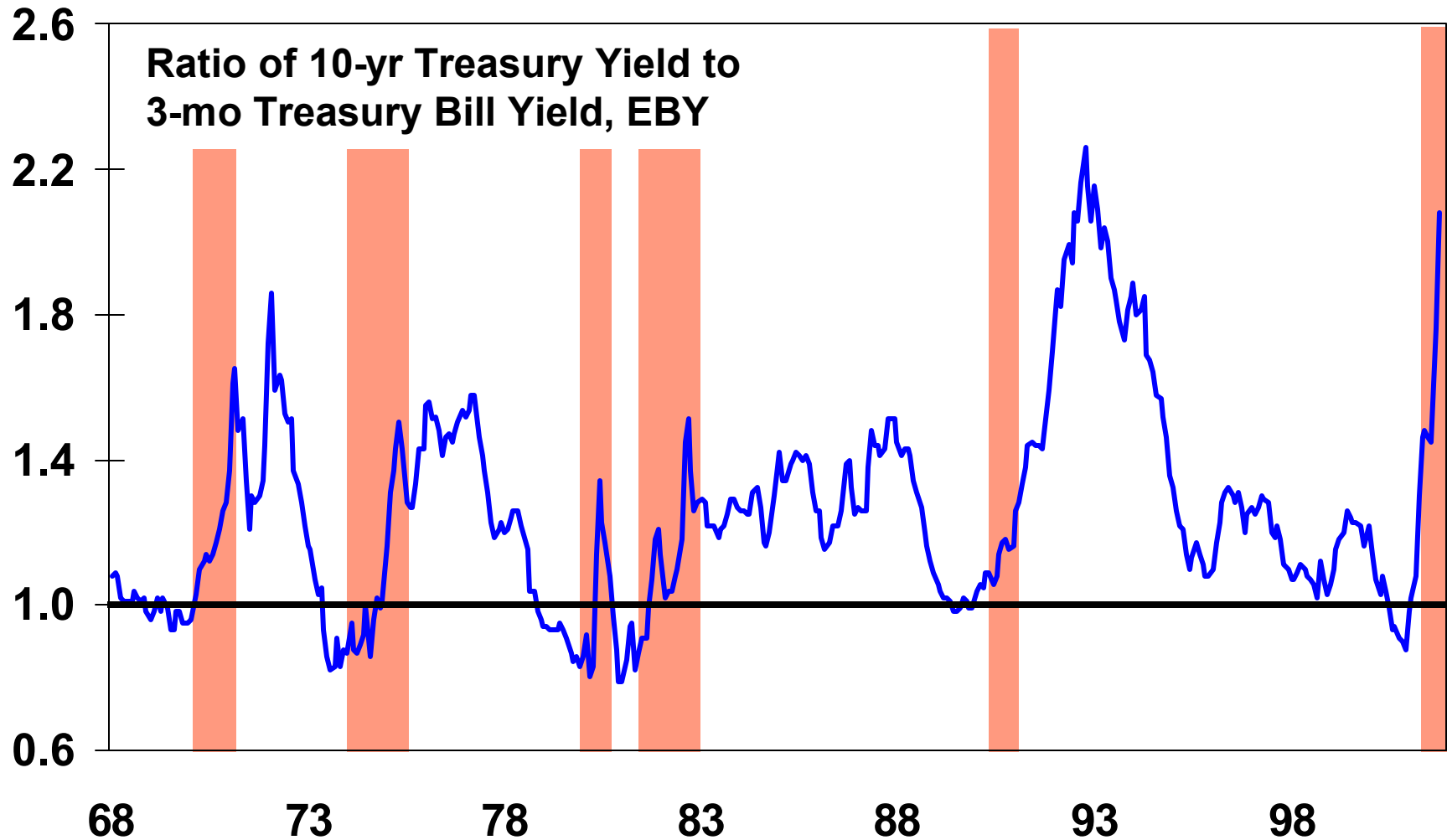
Productivity Growth Remains Resilient



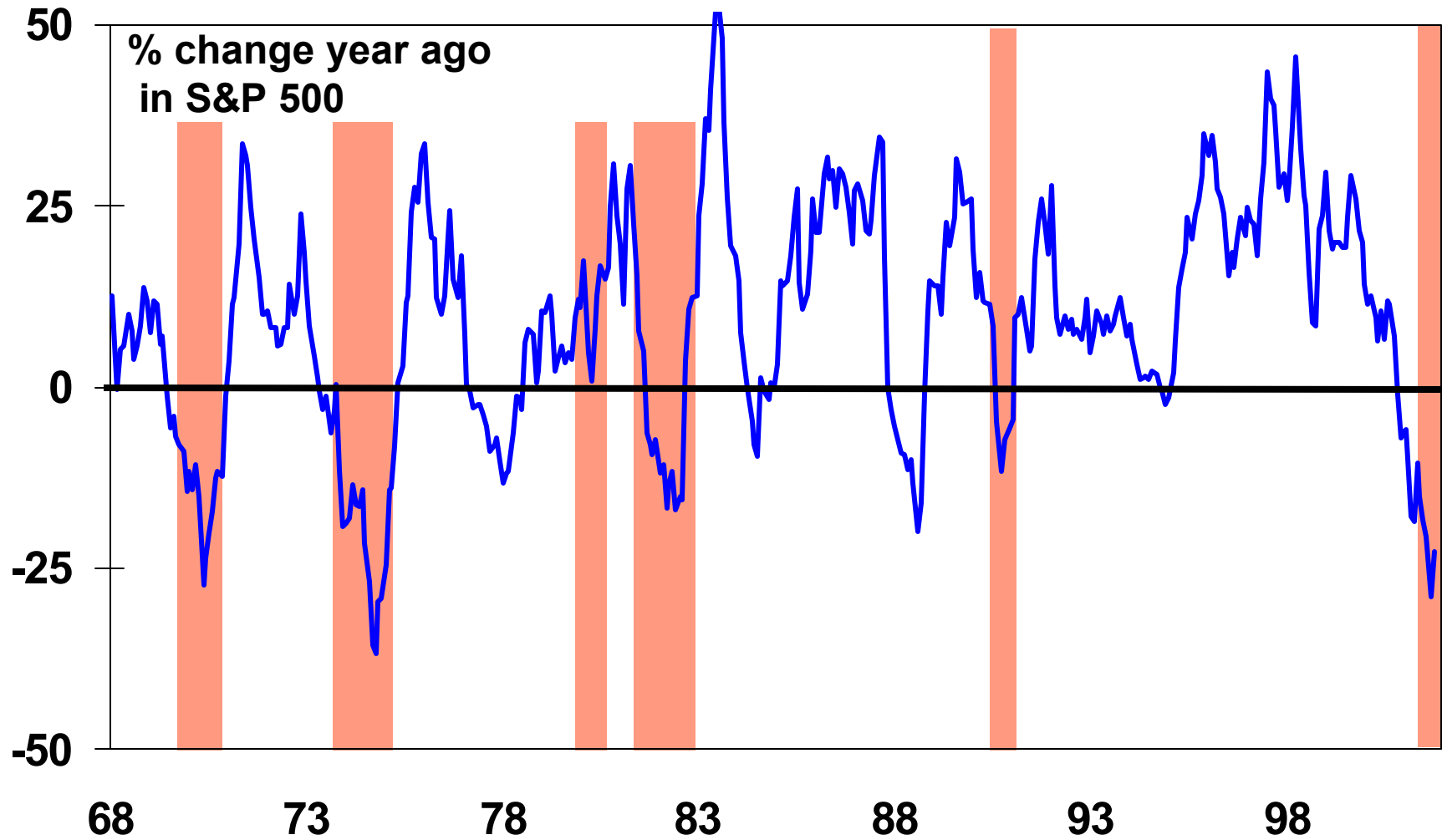
Well Capitalized Banks



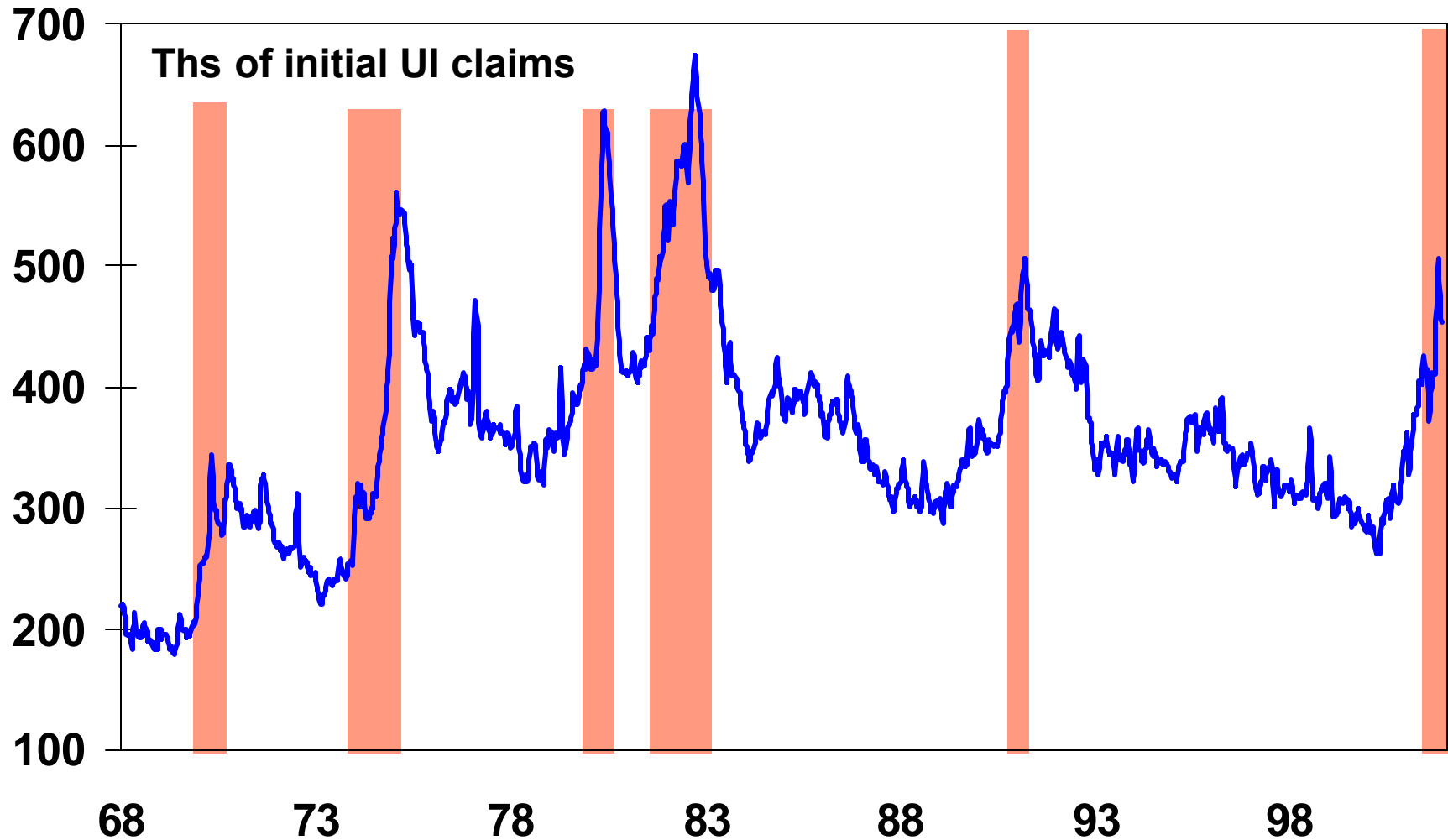
A Full-Proof Leading Indicator



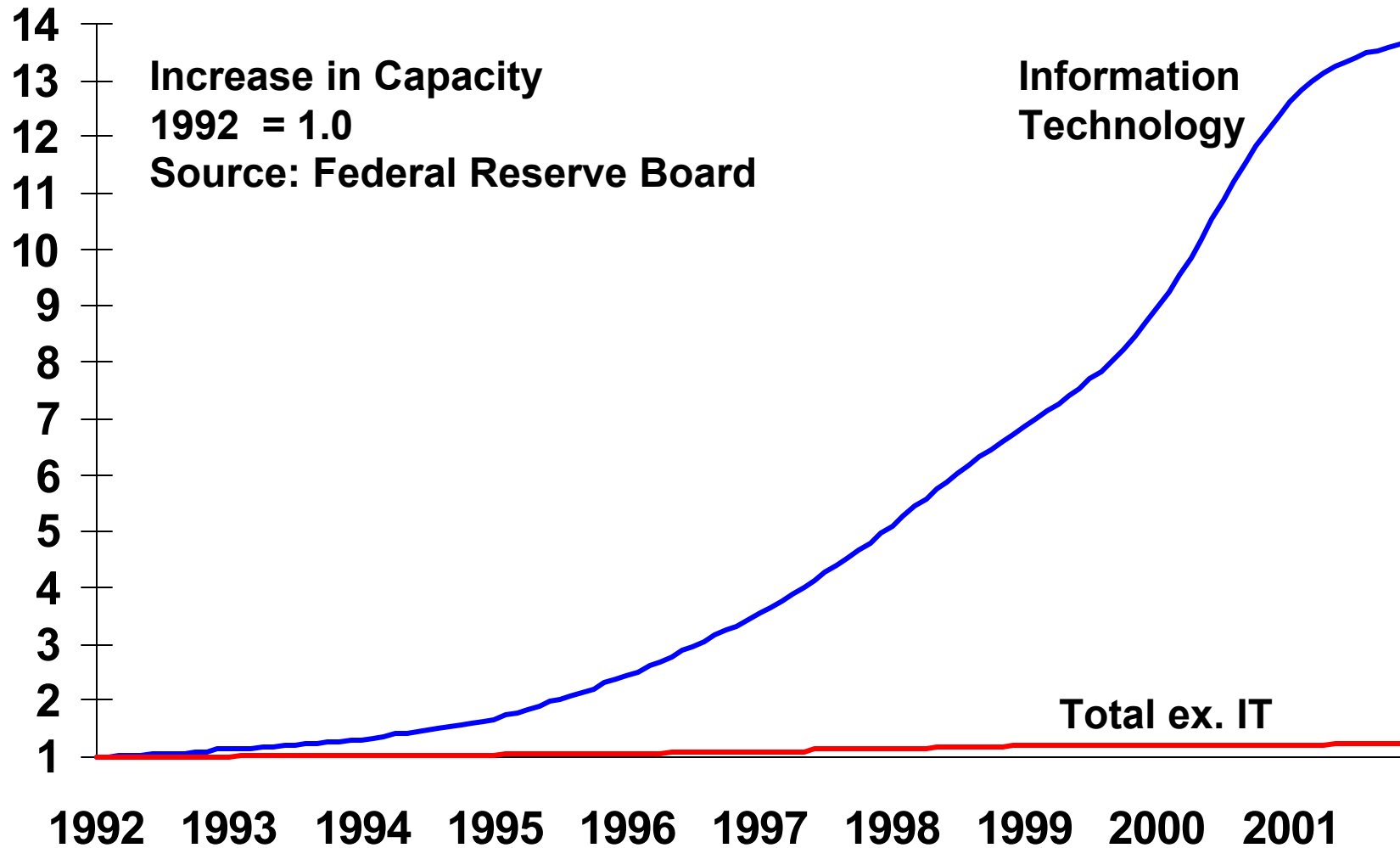
Stocks Turns Before Economy



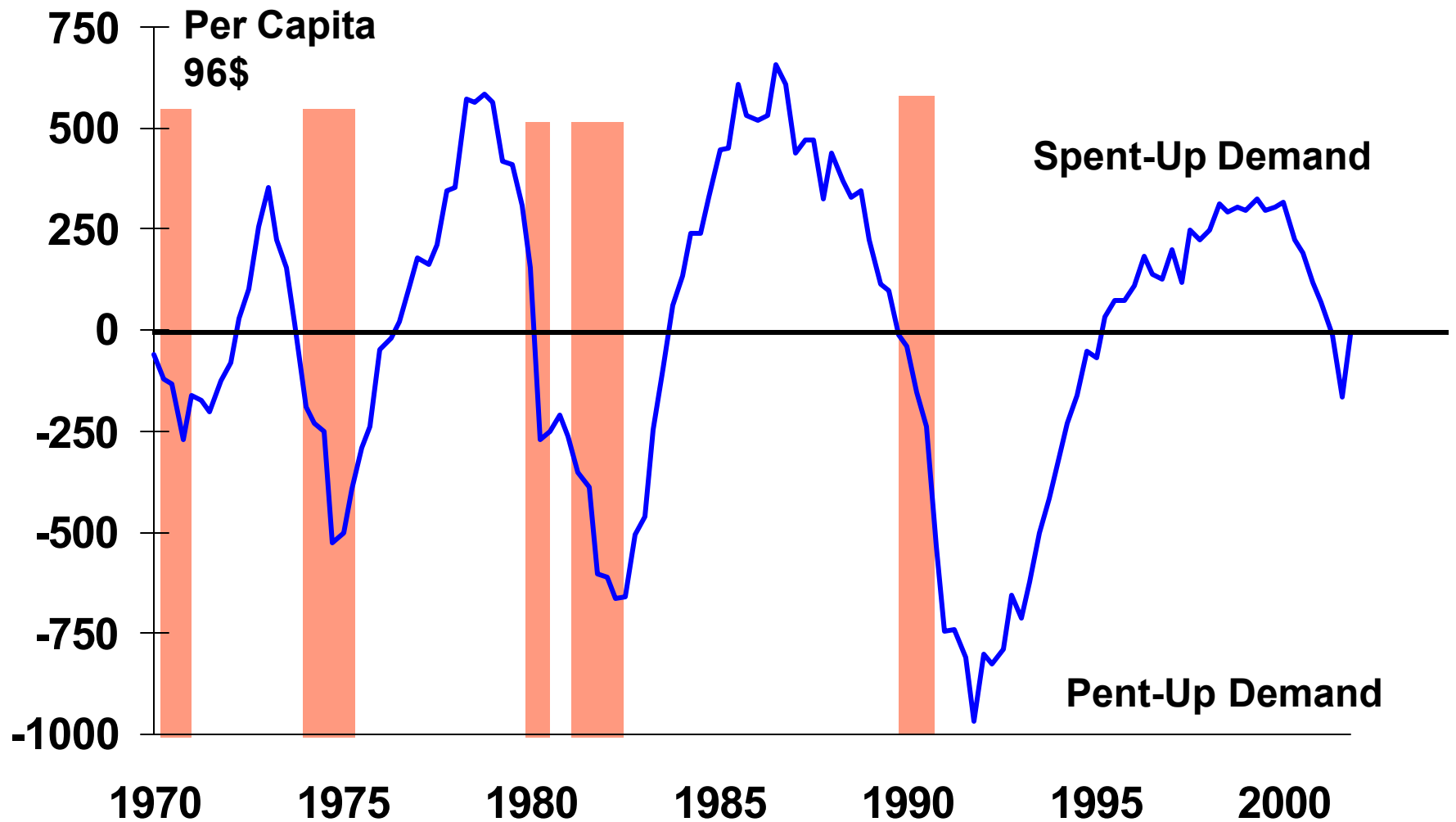
UI Claims Peak at the Trough



Too Much Capacity

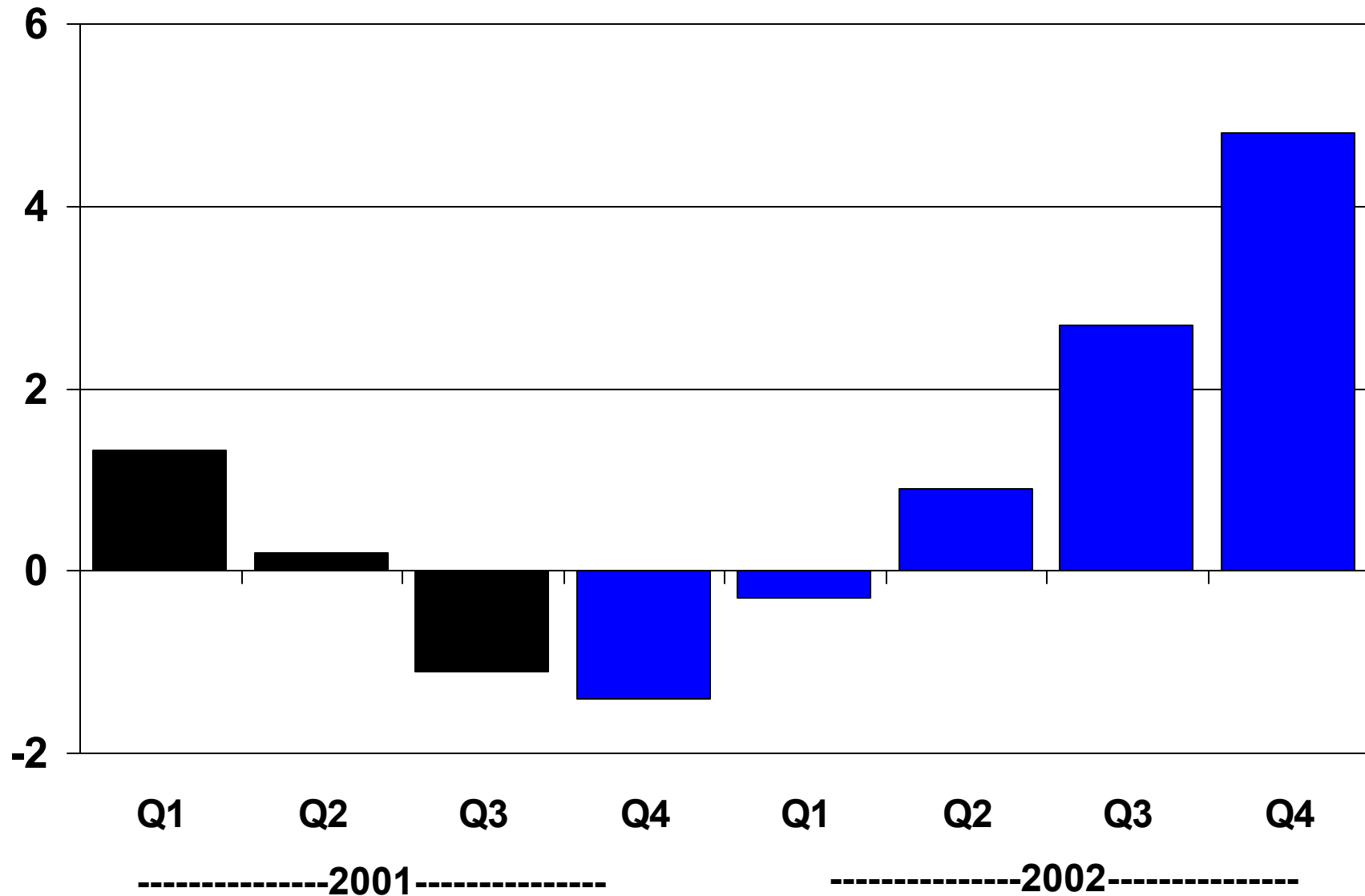


Consumers are Spent

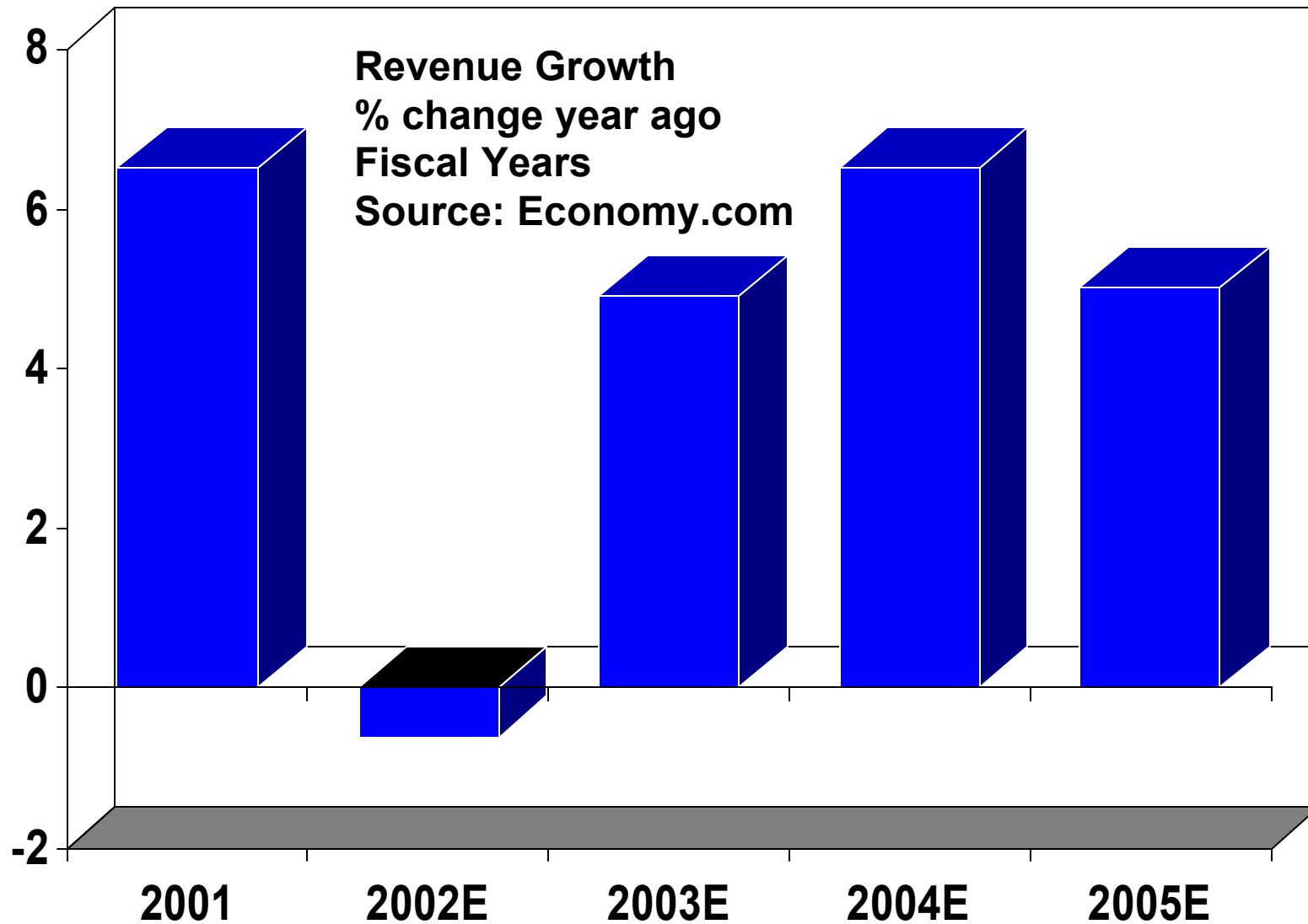


Outlook is Positive, But Very Uncertain

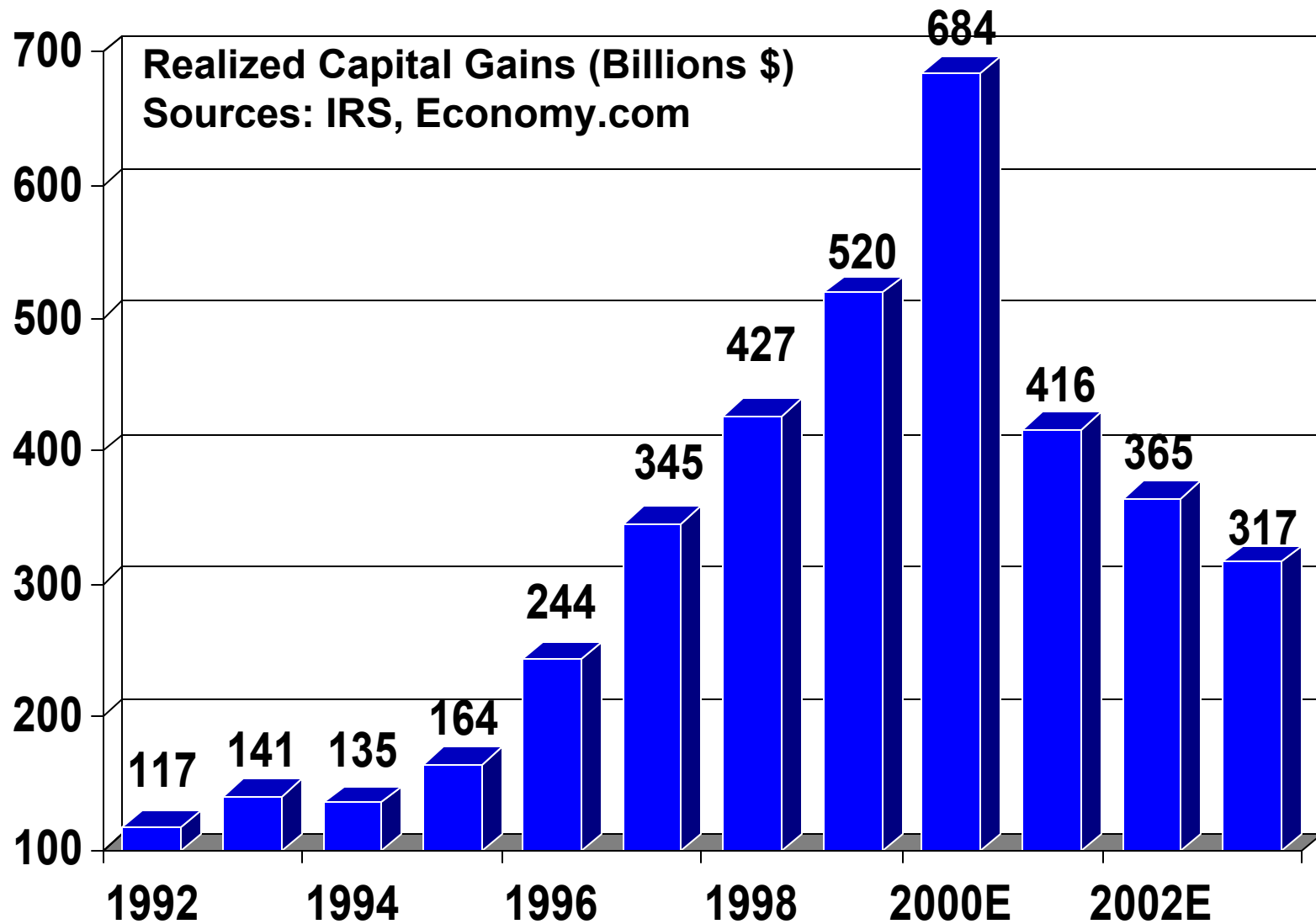
Real GDP Growth



S&L Government Revenues Will Rebound



Realized Capital Gains Plunge



State Tax Revenue Growth

FY 2002/03 vs FY 2000/01

